

SPECIAL MEETING OF THE MILPITAS CITY COUNCIL

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Dối với Việt Nam, gọi 408-586-3122

Para sa Tagalog, tumawag sa 408-586-3051

Para español, llame 408-586-3232

CITY OF MILPITAS - NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council will be held at 5:00 p.m. on Tuesday, April 7, 2020 via TELECONFERENCE (no physical meeting space).

Submit any Public Forum comments in writing via e-mail, to be read aloud, to: publiccomment@ci.milpitas.ca.gov

Meeting shall be livestreamed - Go to:

Facebook: https://www.facebook.com/CityofMilpitas/ YouTube: https://www.ci.milpitas.ca.gov/youtube Web Streaming: https://www.ci.milpitas.ca.gov/webstreaming

The agenda for the meeting is as follows:

AGENDA

TUESDAY, APRIL 7, 2020 MILPITAS, CA 5:00 PM

CALL TO ORDER / ROLL CALL / PLEDGE

APPROVAL OF AGENDA

ANNOUNCEMENT OF CONFLICT OF INTEREST

PUBLIC FORUM

Viewers are invited to address City Council on any subject not on tonight's agenda. Speakers may submit written remarks to be read aloud, limited to three minutes or less. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. Council may instruct the City Manager to place the item on a future meeting agenda.

AGENDA ITEMS

1. Accept Report from the Purchasing Agent Regarding Emergency Purchases over \$20,000 Related to the Novel Coronavirus Disease (COVID-19) Outbreak for the Period March 12 - 31, 2020 (Staff Contact: Chris Schroeder, 408-687-1639)

<u>Recommendation:</u> Accept a report from the Purchasing Agent regarding emergency purchases over \$20,000 related to the Novel Coronavirus Disease (COVID-19) outbreak for the period March 12 - 31, 2020.

Receive and Accept a Report on Preliminary Fiscal Impact Related to the COVID-19 Pandemic (Staff Contact: Walter Rossmann, 408-586-3111)

<u>Recommendation:</u> Receive and accept the report on the Preliminary Fiscal Impact related to the COVID-19 pandemic.

3. Approval of Temporary Emergency Pay Extension for full-time and part-time employees through April 11, 2020, and Approval of Recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations (Staff Contact: Ashwini Kantak, 408-586-3053)

Recommendations:

- a) Approve Temporary Emergency Pay Extension for full-time and part-time City of Milpitas employees through April 11, 2020, and
- b) Approve recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations.

ADJOURNMENT

MILPITAS CITY COUNCIL CODE OF CONDUCT

- Be respectful and courteous (words, tone, and body language).
- Model civility.
- Avoid surprises.
- Praise publicly and criticize privately.
- Focus on the issue, not the person.
- Refrain from using electronic devices while on the Council dais.
- Share information with all Councilmembers in advance of Council meetings.
- Disclose conflicts of interest and affiliations related to agenda items.
- Separate governing from campaigning.
- The Council speaks with one voice after making policy on issues.
- Respect the line between policy and administration.
- Council will hold one another accountable to comply with this Code of Conduct.

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other City agencies exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035. e-mail:cdiaz@ci.milpitas.ca.gov / Phone: 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd.,
Milpitas and on City website. City Council agendas and related materials can be viewed online:

www.ci.milpitas.ca.gov/government/council/agenda minutes.asp (select meeting date)

APPLY TO SERVE ON A CITY COMMISSION

Commission application forms are available online at www.ci.milpitas.ca.gov or at Milpitas City Hall.

Contact the City Clerk's office at 408-586-3003 for more information.

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, please call the City Clerk at 408-586-3001 or send an e-mail to mlavelle@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings.

1. Accept Report from the Purchasing Agent Regarding Emergency Purchases over \$20,000 Related to the Novel Coronavirus Disease (COVID-19) Outbreak for the Period March 12 - 31, 2020 (Staff Contact: Chris Schroeder, 408-687-1639)

<u>Recommendation:</u> Accept a report from the Purchasing Agent regarding emergency purchases over \$20,000 related to the Novel Coronavirus Disease (COVID-19) outbreak for the period March 12 - 31, 2020.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Report from the Purchasing Agent Regarding Emergency Purchases over \$20,000 Related to the Novel Coronavirus Disease (COVID-19) Outbreak for the Period of March 12 to March 31, 2020
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	4/7/2020
Staff Contact:	Chris Schroeder, 408-687-1639
Recommendation:	Accept a Report from the Purchasing Agent Regarding Emergency Purchases over \$20,000 Related to the Novel Coronavirus Disease (COVID-19) Outbreak for the Period of March 12 to March 31, 2020

Background:

On March 13, 2020, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak. At the March 17 City Council meeting, the City Council unanimously ratified the declaration of an emergency made by the Interim City Manager on March 12.

In accordance with the City's Municipal Code Section I-2-3.10 titled Emergency Authority of the Purchasing Agent, the City's Purchasing Agent may authorize emergency purchases without observing the bidding procedures upon a finding that such purchases are required for the immediate preservation of the public health, safety, or welfare and that there is an immediate or imminent emergency. This section further states that the Purchasing Agent may purchase supplies or services, even though the amount thereof may exceed Twenty Thousand Dollars (\$20,000), without competitive bids upon notice.

However, the Code requires that at the next succeeding City Council meeting, the Purchasing Agent shall submit to the City Council a written statement of the circumstances of such emergency purchase over \$20,000, a description of the supplies or services purchased, and the prices thereof.

Analysis:

This staff report is consistent with the aforementioned Municipal Code section. From March 12 to March 31, the Purchasing Agent authorized emergency purchases over \$20,000 for one contract without observing the bidding procedures as detailed in the table below.

Ex	ate of ecuted ontract	Description of Services or Goods Services Purchased	Not-to- Exceed Amount	Purchasing Agent's Finding for Use of Emergency Authority
March	า 30, 2020	Daytime Custodial Services at the City of Milpitas Department of Public Works and Police Department Complex, including the Corporation Yard and Fleet buildings to clean and disinfect high-touch locations throughout the facilities. Services are performed during normal business hours, Monday through Friday.	\$25,000.00	To ensure health and safety of essential staff required to work at certain facilities in response to the COVID-19 Pandemic

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Fiscal Impact:

Staff will seek reimbursement from the federal government consistent with the presidential declaration of a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak.

California Environmental Quality Act:

N/A

Recommendation:

Accept a Report from the Purchasing Agent Regarding Emergency Purchases over \$20,000 Related to the Novel Coronavirus Disease (COVID-19) Outbreak for the Period of March 12 to March 31, 2020

2. Receive and Accept a Report on Preliminary Fiscal Impact Related to the COVID-19 Pandemic (Staff Contact: Walter Rossmann, 408-586-3111)

Recommendation: Receive and accept the report on the Preliminary Fiscal Impact related to the COVID-19 pandemic.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Preliminary Fiscal Impact Related to the COVID-19 Pandemic
Category:	Leadership and Support Services
Meeting Date:	4/7/2020
Staff Contact:	Walter C. Rossmann, 408-586-3111
Recommendation:	Accept the Report on the Preliminary Fiscal Impact Related to the COVID-19 Pandemic

Background:

On March 13, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak. On Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place order in light of the increased number of cases of COVID-19 that had been confirmed in Santa Clara County. The shelter-in-place order went into effect at 12:01 am on Tuesday, March 17. Initially, the order was supposed to be in effect through Tuesday, April 7; however, on March 31, it was extended through May 3, 2020. On March 19, Governor Newsom issued a statewide shelter-in-place order.

On March 12, the City Manager in his role as the City's Emergency Services Director, signed the Milpitas Emergency Proclamation, which the City Council ratified on March 17, 2020. Based on the actions taken at various levels of government, the City closed down non-essential services.

On March 20, the City Manager issued the attached Information Memorandum titled "Preliminary projected Fiscal Impact for FY 2019-20 and FY 2020-21 due to the COVID-19 Pandemic" to provide the Council an initial assessment of the City's fiscal outlook related to the measures taken to contain the pandemic.

Analysis:

As discussed in the attached memorandum, the regional, national and global efforts to contain the pandemic, mostly through restrictions on travel and movement of people have had and will have a significant impact on the regional, national and global economies. Locally, the Great Mall is closed down and business travel generating overnight hotel stays has decreased substantially. In response, central banks and governments worldwide unleashed unprecedented monetary and fiscal stimuli to prop up the faltering economies and, hopefully, prevent the global economy from sliding into recession. On Friday, March 27, President Trump signed into law a historic \$2 trillion stimulus package.

Based on the currently available data and anecdotes from local hotels, staff projects a significant decrease in Transit Occupancy Tax proceeds and decreases in Sales Tax and fee revenue related to construction activity for FY 2019-20 and FY 2020-21.

For the remainder of FY 2019-20, these impacts are expected to result in about a \$5 million loss in revenues in comparison to the revenue estimates presented to the Council on February 18 as part of the FY 2019-20 Mid-Year budget review and some unexpected additional costs related to the local COVID-19 pandemic response. It is important to note that at the Mid-Year Budget review staff projected that the General Fund will end with a surplus of \$2.5 million. Now, staff expects that the revenue shortfall of approximately \$5 million will be offset with the projected General Fund surplus and expenditure savings. As part of the Third Quarter Financial Status

Report scheduled for May 5, 2020, staff will recommend budget adjustments for City Council consideration rebalance the FY 2019-20 Amended Budget. Despite the necessary rebalancing of the General Fund, staff projects that the General Fund will end with a modest budget surplus. The projected surplus will assist us in addressing next fiscal year's anticipated budget shortfall.

At the January 28 Preliminary FY 2020-21 Budget Study Session, staff projected \$123.5 million in revenues and \$122.3 million in expenditures with a FY 2020-21 General Fund Base Budget surplus of \$1.2 million (see attached PowerPoint). With the estimated impact from the COVID-19 pandemic, staff estimates a revenue decrease of approximately \$11.2 million in comparison to the January 2020 Forecast. With the additional expenditures of approximately \$0.7 million identified since the Jan. 28 Budget Study Session, the General Fund deficit is estimated at approximately \$10.6 million for the next fiscal year. The decrease in revenue estimates assumes that travel restrictions will not be lifted until the end of the first quarter of FY 2020-21. Thereafter, the model assumes that economic activity will return mostly by Summer 2021 leading to a substantial recovery of monthly TOT and fee revenue related to construction activity by the end of FY 2020-21. At this time, staff expects a shorter-lived recession due to the massive monetary and fiscal stimuli enacted at the federal and state levels. As shown in the attached PowerPoint, the pandemic will also impact Fiscal Year 2021-22 and FY 2022-23 with a projected shortfall of approximately \$10.1 and \$4.7 million, respectively.

To address these unexpected shortfalls, the FY 2020-21 Proposed Budget will outline the fiscal strategy to address the shortfall for the next three fiscal years. Due to the unprecedented stimulus packages and their impacts to prop up the economy, staff will judiciously hold off on reducing authorized positions and potentially service levels to our community at this time. Therefore, staff is working on reducing ongoing expenditures through refined budget development, deferral of projects, and short-term budget alignment given the shelter-in-place order, by approximately \$4 to \$5 million. To address the remaining shortfall, staff is considering recommending to the City Council the use of the budget surplus from FY 2019-20 and the Budget Stabilization Reserve (BSR). The BSR per the Council approved Reserve Policies shall be used to provide budget stability when there are fluctuations that result in lower than projected revenues and or higher than projected expenditures that cannot be re/balanced within existing budget resources in any given fiscal year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. The BSR is currently funded at \$9.5 million.

Policy Alternatives:

Not applicable.

Fiscal Impact:

There is no fiscal impact with this informational memorandum. However, the FY 2020-21 Proposed Budget will outline the fiscal strategy to address the cumulative shortfall for the next three fiscal years.

California Environmental Quality Act:

Not applicable.

Recommendation:

Accept the Report on the Preliminary Fiscal Impact Related to the COVID-19 Pandemic

Attachments:

- 1. Information Memorandum titled "Preliminary projected Fiscal Impact for FY 2019-20 and FY 2020-21 due to the COVID-19 Pandemic"
- 2. Economic Development Council Subcommittee PowerPoint titled "COVID-19 Pandemic Preliminary Fiscal Impact"

MEMORANDUM

Office of the City Manager

DATE: March 20, 2020

TO: Mayor and Councilmembers

FROM: Steve McHarris, Interim City Manager

SUBJECT: Preliminary projected Fiscal Impact for FY 2019-20 and FY 2020-21 due to the COVID-19

Pandemic

Background

On March 13, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak. On Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place order in light of the increased number of cases of COVID-19 that have been confirmed in Santa Clara County. The shelter-in-place order went into effect at 12:01 am on Tuesday, March 17 and will be in effect through Tuesday, April 7. On March 19, Governor Newsom issued a statewide shelter-in-place order.

On March 12, I, as the City's Emergency Services Director, signed the Milpitas Emergency Proclamation, which the City Council ratified on March 17, 2020. Based on the actions taken at various levels of government, the City closed down non-essential services.

The regional, national and global efforts to contain the pandemic, mostly through restrictions on travel and movement of people have had and will have a significant impact on the regional, national and global economies. Locally, the Great Mall closed down this week and business travel generating overnight hotel stays has decreased substantially. In response, central banks and governments worldwide unleashed unprecedented monetary and fiscal stimuli to prop up the faltering economies and, hopefully, prevent the global economy from sliding into recession. However, the economic news from China, the country first hit by the virus, is not hopeful as China expects a 6% contraction of its economy in the first quarter of 2020.

Analysis

At this time, it is very difficult to predict the impact the COVID-19 pandemic will have on our local economy and General Fund tax revenues because little data is available. Regardless, as soon as our Finance Department staff transitioned to their home office set-up due to the Shelter-in-Place order, they modelled the tax revenue impact related to the pandemic based on the Great Recession.

The Great Recession

The last recession, referred to as the Great Recession, our nation experienced started in December 2007 and ended 18 months later in June 2009. The underlying cause of the Great Recession was the so-called "subprime mortgage¹ crisis."

Although the triggers for the past recession and the current economic crisis are different, the immediate impacts are similar. In both cases, business travel decreased affecting Transient Occupancy Tax (TOT) receipts and consumers and businesses slowed spending affecting sales tax and development services

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¹ Subprime mortgages are home loans granted to borrowers with poor credit histories.

related revenue. Secondarily, due to the subprime mortgages, a significant number of homeowners defaulted on their mortgages, which depressed real estate markets and subsequently property tax proceeds. At this time, economists are not predicting a significant real estate market impact.

The table below shows the percent changes of the General Fund's major revenue sources over four fiscal years from FY 2006/07 to FY 2010/11, which includes the fiscal years impacted by the contraction of economic activity and the start of the recovery from the recession. Property Tax, TOT, Sales Tax, and Licenses and Permits (fee revenue generated by the Planning, Fire Prevention, and Building Safety functions) were immediately impacted by the economic downturn. These major revenue sources comprise 81% of the General Fund's revenues in FY 2019-20.

Major Tax Revenue Changes - Great Recession

Revenue	Percent Change from FY 2006-07 to FY 2007-08	Percent Change from FY 2007-08 to FY 2008-09	Percent Change from FY 2008-09 to FY 2009-10	Percent Change from FY 2009-10 to FY 2010-11
Licenses and Permits	-13.7%	-26.6%	-32.1%	34.4%
Property Tax	-5.6%	5.6%	-3.4%	-2.9%
Sales Tax	-3.5%	0.5%	-6.1%	11.3%
Transient Occupancy Tax	39.6%	-22.9%	-4.6%	15.6%

The recession officially started in the middle of FY 2007-08, which resulted in a reduction of major tax and fee revenues and continued for two more fiscal years. The recovery started three years later in FY 2010-11. In response to the tax and fee revenue declines, the City reduced approximately 31 positions between FY 2006-07 and FY 2009-10 and employee groups agreed to wage and benefit concessions to balance the budgets.

Fiscal Year 2019-2020 Projected Impact

Given anecdotal evidence from local hotels and the news, the travel market is severely impacted. Further, consumers and businesses have slowed spending due to shelter-in-place orders and supply chain interruptions; although consumer spending has shifted to online purchases. Therefore, staff expects immediate impacts to TOT, License and Permits, and Sales Tax revenues. Additionally, as part of the closure of non-essential services while paying part-time employees the Council approved temporary emergency pay, the City is incurring additional costs and forgoing revenue generating services. For the remainder of FY 2019-20, these impacts are expected to result in \$4 to \$6 million loss in revenues in comparison to the revenue estimates presented to the Council on February 18 as part of the FY 2019-20 Mid-Year budget review and unexpected some additional costs. It is important to note that at the Mid-Year Budget review staff projected that the General Fund will end with a surplus of \$2.5 million. Staff expects that the revenue shortfall between \$4 to \$6 million can be offset with the projected General Fund surplus and expenditure savings, and that the General Fund will still end with a modest budget surplus. Staff will recommend budget adjustments for City Council consideration to rebalance the FY 2019-20 Amended Budget as part of the Third Quarter Financial Status Report scheduled for May 5, 2020. The projected FY 2019-20 General Fund surplus will assist us in addressing next fiscal year's anticipated budget shortfall further described below. To maximize the current year General Fund surplus, I will institute a hiring and expenditure freeze except for essential functions and for activities in response to the COVID-19 pandemic.

Fiscal Year 2020-2021 Projected Impact

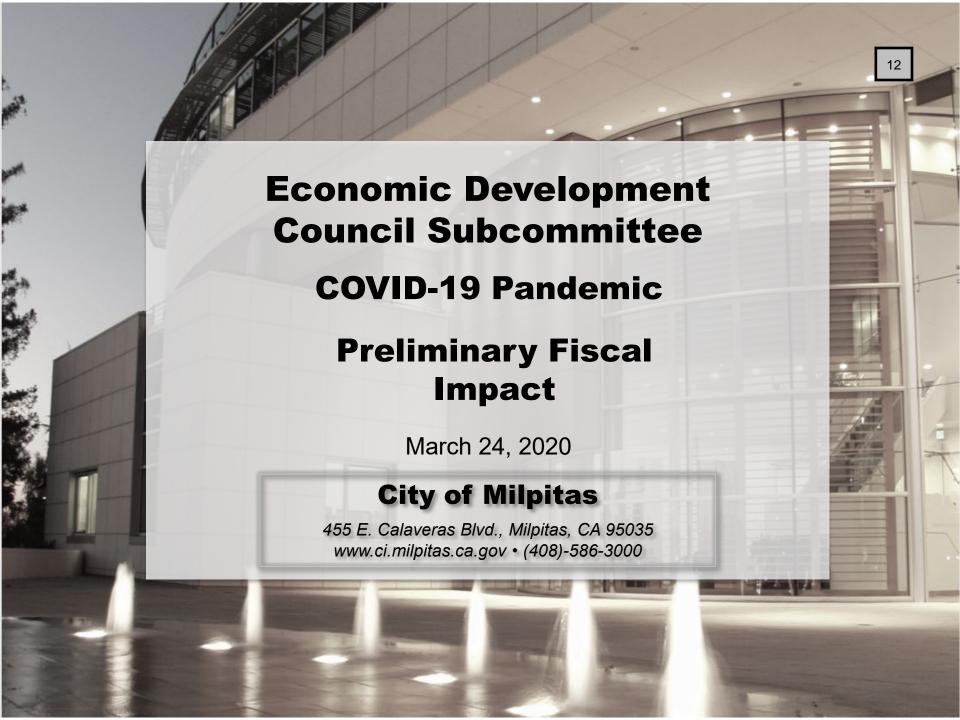
At the January 28 Preliminary FY 2020-21 Budget Study Session, staff projected \$123.5 million in revenues and \$122.3 million in expenditures with a FY 2020-21 General Fund Base Budget surplus of \$1.2 million. The forecast model using revenue impacts from the last recession projects a revenue decrease between \$12 to \$14 million in comparison to the January 2020 Forecast resulting in a deficit in the General Fund between \$11 to \$13 million. The decrease in revenue estimates assumes that travel restrictions will not be lifted and consumers will hold back on spending until the end of the first quarter of FY 2020-21. Thereafter, the model assumes that economic activity will return mostly by Summer 2021 leading to a substantial recovery of monthly TOT, Licenses and Permits, and Sales Tax proceeds by the end of FY 2020-21. At this time, staff expects a shorter-lived recession due to the massive monetary and fiscal stimuli enacted and deliberated at the federal and state levels.

To address this unexpected revenue shortfall, Finance started to review projected expenditures for FY 2020-21 and expects to reduce them by \$3 to \$5 million in comparison to the preliminary base budget presented on January 28, 2020. Further, the FY 2020-21 Proposed Budget will only contain minimal expenditure increases above the base budget addressing Council priorities and/or legally required service level changes. As discussed during the March 17 City Council meeting, the organization is currently focused solely on continuing operations and service delivery to our residents within the confines of the COVID-19 pandemic. Due to the focus on the pandemic, the City doesn't have the capacity to review all department functions and identify service delivery cuts with the least impacts to our residents. Further, due to the unprecedented stimulus packages, staff wants to be judicious and hold off on reducing staffing and therefore service levels at this time. Therefore, I am considering recommending to the City Council the use of budget surplus from FY 2019-20 and the Budget Stabilization Reserve (BSR) to assist with balancing the FY 2020-21 Proposed Budget. The BSR per the Council approved Reserve Policies shall be used to provide budget stability when there are fluctuations that result in lower than projected revenues and or higher than projected expenditures that cannot be re/balanced within existing budget resources in any given fiscal year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. The BSR is currently funded at \$9.5 million.

Next Steps

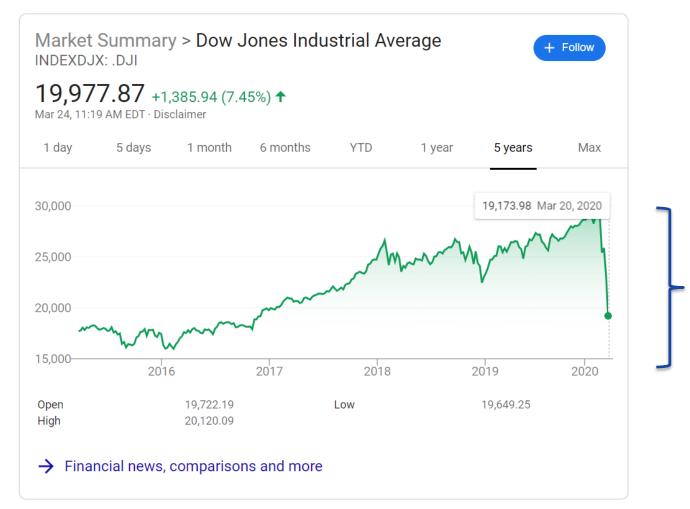
In the next few days, I will institute a hiring and expenditure freeze except for activities in response to the COVID-19 pandemic and other essential activities in order to maximize the current year General Fund surplus.

During the next few weeks, staff will monitor economic data as it becomes available and make further adjustments to revenue projections. Please note that the rapidly changing economic conditions may not allow us to incorporate the latest available information in the FY 2020-21 Proposed Budget scheduled for release on May 4, 2020. Therefore, as we move through the budget adoption process, I may have to bring forward amendments to the FY 2020-21 Proposed Budget to ensure that the Council adopts a balanced budget.



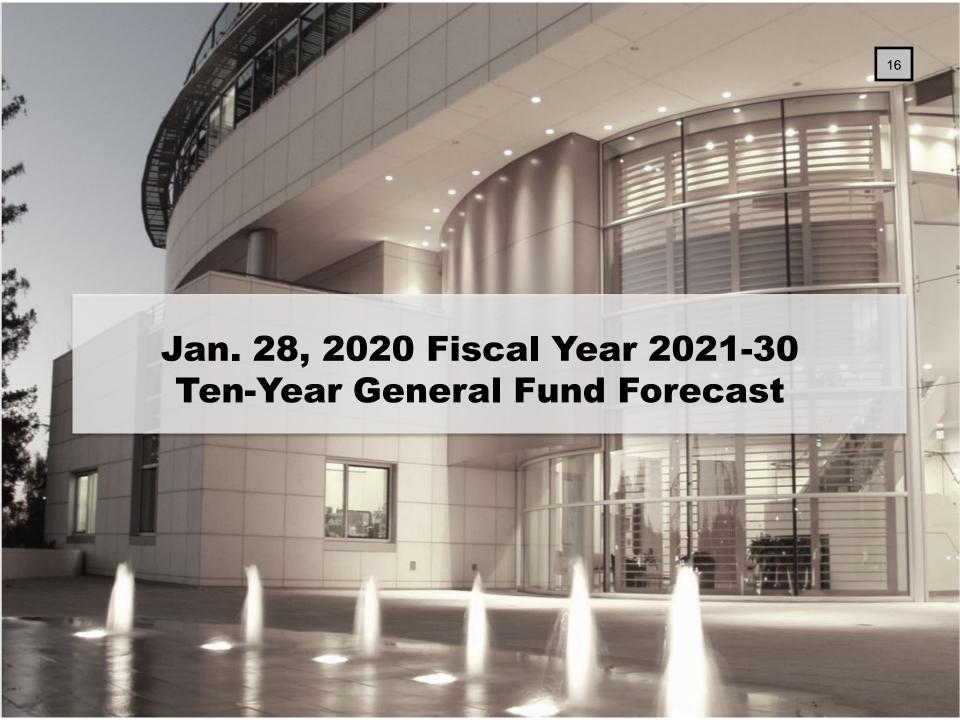
Agenda

- Current Economic Environment
- January 28, 2020 Ten-Year Financial Forecast
- March 20, 2020 Ten-Year Financial Forecast
- Impacts to the City's Budget & potential budgetary solutions
- Next steps



33% Drop

- 25% of People globally are under partial or total lock-down
- 43% of the US population asked to stay home
- Significant interruption of economic activity
- Secretary Mnuchin: unemployment could soar up to 20%
- Major impact to the hospitality, restaurant and travel industries
- Unprecedented monetary and fiscal stimuli packages
- Hubei Province, China, plans to lift nearly all restrictions tomorrow about three months after initial lock-down



Prel. Forecast – FY 2021 - 2025

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	Preliminary Base Budget	Forecast	Forecast	Forecast	Forecast
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Total Sources	\$ 123,529,318	\$ 127,871,488	\$ 132,639,675	\$ 137,220,493	\$141,258,666
Total Uses	\$ 122,276,071	\$ 128,136,298	\$ 132,093,831	\$ 137,312,794	\$143,054,073
Net Operating Results	\$ 1,253,247	\$ (264,810)	\$ 545,844	\$ (92,301)	\$ (1,795,407)
Net Operating Margin		\$ (264,810)	\$ 545,844	\$ (92,301)	\$ (1,703,106)

Net Operating Results: Annual surplus or deficit

Net Operating Margin: Year over Year surplus or deficits assuming that ongoing deficits will be resolved with ongoing solutions (e.g.: increased revenue or decreased expenditures)



Prel. Forecast – FY 2026 - 2030



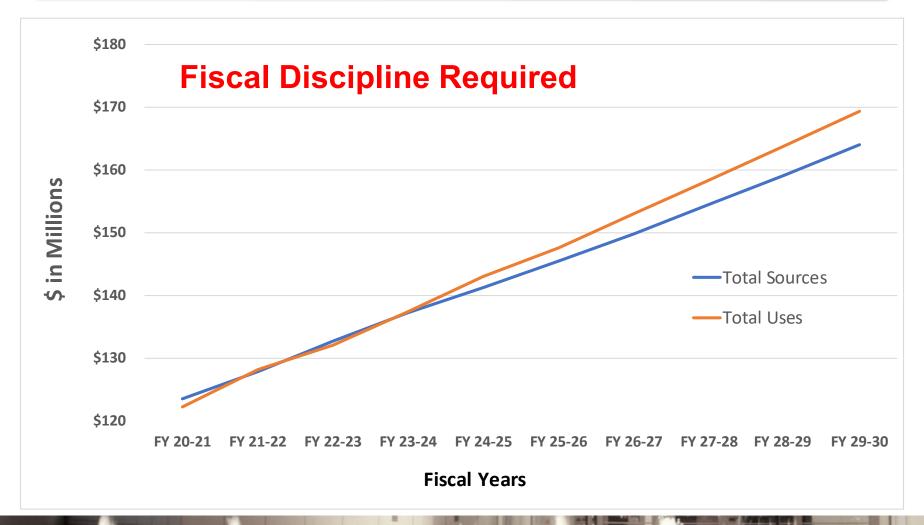
Forecast	Forecast	Forecast	Forecast	Forecast
FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
\$ 145,444,722	\$ 149,876,102	\$ 154,451,834	\$ 159,170,438	\$ 164,036,569
\$ 147,627,262	\$ 153,053,751	\$ 158,313,337	\$ 163,841,284	\$ 169,299,785
\$ (2,182,540)	\$ (3,177,649)	\$ (3,861,503)	\$ (4,670,846)	\$ (5,263,216)
\$ (387,133)	\$ (995,109)	\$ (683,854)	\$ (809,343)	\$ (592,370)
	FY 25-26 \$ 145,444,722 \$ 147,627,262 \$ (2,182,540)	FY 25-26 FY 26-27 \$ 145,444,722 \$ 149,876,102 \$ 147,627,262 \$ 153,053,751 \$ (2,182,540) \$ (3,177,649)	FY 25-26 FY 26-27 FY 27-28 \$ 145,444,722 \$ 149,876,102 \$ 154,451,834 \$ 147,627,262 \$ 153,053,751 \$ 158,313,337 \$ (2,182,540) \$ (3,177,649) \$ (3,861,503)	FY 25-26 FY 26-27 FY 27-28 FY 28-29 \$ 145,444,722 \$ 149,876,102 \$ 154,451,834 \$ 159,170,438 \$ 147,627,262 \$ 153,053,751 \$ 158,313,337 \$ 163,841,284 \$ (2,182,540) \$ (3,177,649) \$ (3,861,503) \$ (4,670,846)

Ongoing deficit between \$387,000 and \$995,000



Expenditures Outpace Revenues <a>19

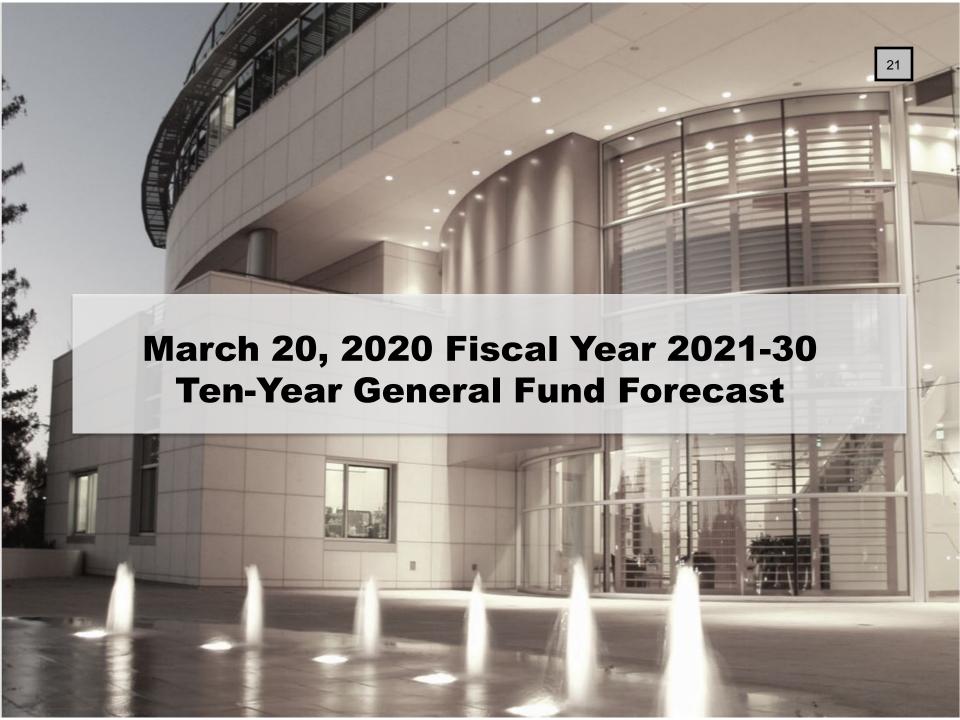




Potential Impacts Not Included



- Funding for aging or new infrastructure (e.g.: performing arts center, public safety buildings, storm drain system, parks master plan)
- Operational impact of upcoming infrastructure projects
- Operational impact related to the Milpitas Transit Center/BART Station
- Labor negotiations
- Pension and Retiree Healthcare cost increases not included in the projections provided by the City's actuaries
- Changes in the local, State, and national economy



Major Tax Revenue Changes - Great Recession

Revenue	Percent Change from FY 2006-07 to FY 2007-08	Percent Change from FY 2007-08 to FY 2008-09	Percent Change from FY 2008-09 to FY 2009-10	Percent Change from FY 2009-10 to FY 2010-11
Licenses and Permits	-13.7%	-26.6%	-32.1%	34.4%
Property Tax	-5.6%	5.6%	-3.4%	-2.9%
Sales Tax	-3.5%	0.5%	-6.1%	11.3%
Transient Occupancy Tax	39.6%	-22.9%	-4.6%	15.6%

Modelled a 6 – 9 month Recession with a recovery in FY 2021-22

- Hubei lock-down mostly lifted after three months
- Fiscal and Monetary Stimulus packages

COVID-19 Preliminary Fiscal Impa

	Preliminary Base Budget	Forecast	Forecast	Forecast	Forecast
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Total Sources	\$ 112,377,039	\$ 118,539,219	\$127,860,930	\$ 135,249,224	\$139,476,101
Total Uses	\$122,991,970	\$ 128,589,282,	\$132,575,646	\$137,900,646	\$143,692,349
Net Operating Results	\$ (10,614,931)	\$ (10,050,063)	(4,714,716)	\$ (2,651,682)	\$ (4,216,248)
Net Operating Margin		\$ 564,868	\$ 5,335,347	\$ 2,063,034	\$ (1,564,566)

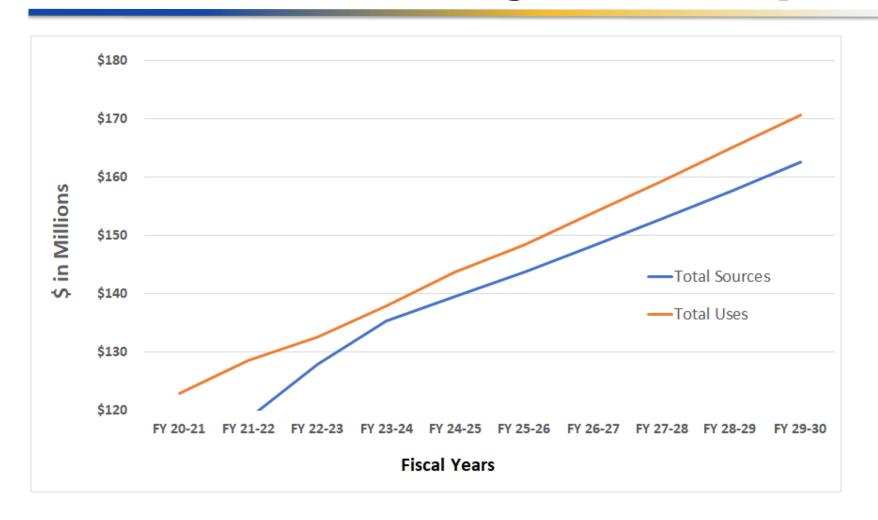


COVID-19 Preliminary Fiscal Impa

	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Total Sources	\$ 143,681,153	\$ 148,184,370	\$152,838,781	\$157,607,467	\$162,528,649
Total Uses	\$148,395,932	\$ 153,902,852	\$ 159,341,733	\$ 165,004,200	\$170,624,219
Net Operating Results	\$ (4,714,779)	\$ (5,718,482)	\$ (6,502,952)	\$ (7,396,733)	\$ (8,095,570)
Net Operating Margin	\$ (498,531)	\$ (1,003,703)	\$ (784,470)	\$ (893,781)	\$ (698,837)

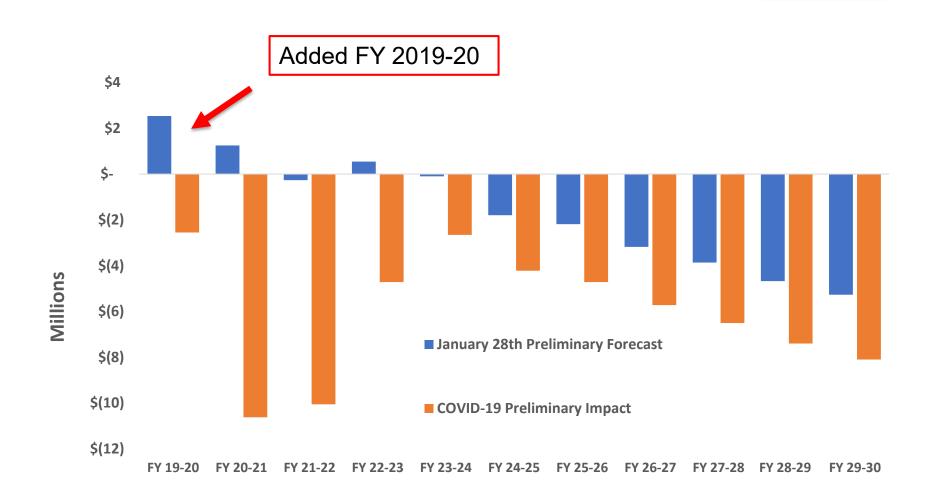


COVID-19 Preliminary Fiscal Impa

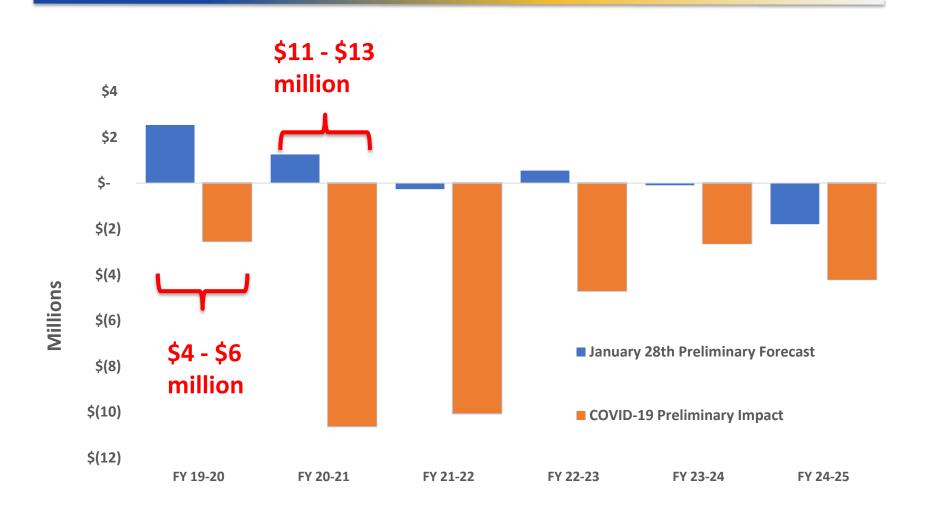




Forecast Comparison



Current Year and Next Year Impa





Potential Budget Solution Strategi25

FY 2019-20 shortfall (est. between \$4 - \$6 million)

- \$2.5 million surplus as of Mid-Year Budget Review (2/18/20)
- Temporary Hiring and Expenditure Freeze for nonessential activities

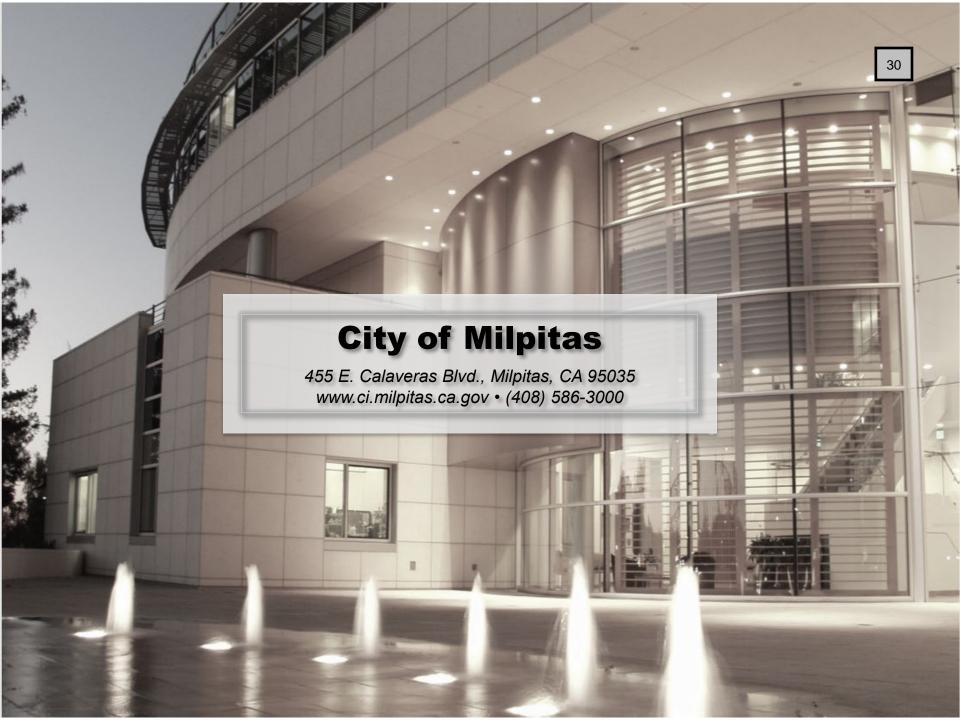
FY 2020-21 shortfall (est. between \$11 - \$13 million)

- Identify ongoing budget solutions without reducing authorized service levels
- Use of the Budget Stabilization Reserve and Unassigned General Fund Reserve

Next Steps

Date	Action
04/07/2020	COVID-19 Fiscal Impact Report from the Subcommittee to the City Council
05/04/2020	Release of the FY 2020-21 Proposed Operating Budget
05/05/2020	Council Consideration of 3rd Quarter Financial Status Report and Recommendations for Rebalancing the FY 2019-20 Amended Budget
05/14/2020	FY 2020-21 Proposed Operating Budget Study Session





3. Approval of Temporary Emergency Pay Extension for full-time and part-time employees through April 11, 2020, and Approval of Recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations (Staff Contact: Ashwini Kantak, 408-586-3053)

Recommendations:

Approve Temporary Emergency Pay Extension for full-time and part-time City of Milpitas employees through April 11, 2020, and

Approve recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Approval of Temporary Emergency Pay Extension for full-time and part-time employees through April 11, 2020, and Approval of Recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations				
Category:	Leadership and Support Services				
Meeting Date:	4/7/2020				
Staff Contact:	Ashwini Kantak, Assistant City Manager, 408-586-3053				
Recommendations:	 Approve Temporary Emergency Pay Extension for full-time and part-time employees through April 11, 2020, and Approve recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations. 				

Background:

On Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place order in light of the increased number of cases of COVID-19 that have been confirmed in Santa Clara County. In response, the City elevated to Stage 5 (Extremely High Response) of our Pandemic Management Plan. The initial shelter-in-place order went into effect at 12:01 am on Tuesday, March 17 and was to be in effect through Tuesday, April 7, 2020. On March 31, 2020, the shelter-in-place order was updated to extend through Sunday, May 3.

On March 17, the City Council ratified a proclamation of emergency declared by the Interim City Manager on March 12. Even during this emergency and the shelter-in-place order, the City continues to provide identified essential services to the community.

Due to the nature of the pandemic and the need for social distancing, several City programs have been temporarily suspended or closed and events have been cancelled. Some classifications and positions may be required to be physically present at work or have been given the opportunity to telework. Eligibility for telework will depend on the type of work performed, operational needs, and the ability for employees to maintain the essential functions of their job duties.

On March 17, based on staff recommendation, the City Council approved Temporary Emergency Pay (TEP) for those employees that are unable to work due to COVID-19 related issues. The TEP was approved to be in effect from March 17 through April 7, 2020, the previously anticipated end of the shelter-in-place order.

The Families First Coronavirus Response Act (FFCRA) and the Emergency Family Medical Leave Expansion Act (EFMLEA) went into effect on April 1 (see Attachment). Both acts require employers to provide an expanded sick leave benefit to eligible employees who are unable to work/telework for specified reasons related to COVID-19 and/or unable to work/telework due to a need for leave to care for a child if the child's school/daycare is closed or unavailable. Both paid leave entitlements are subject to reduced pay formulas, pay caps and tracking.

Analysis:

This staff report provides information and recommendations for staffing and employee benefits during the shelter-in-place order and/or until the City ends its declared emergency and resumes regular operations.

Staffing Plan during Shelter-in-Place Order

To determine the staffing levels during the Shelter-in-Place Order and/or until end of the City-declared emergency and the resuming of regular operations, the Administration has identified all employees performing (1) essential work performed in person or remotely for an effective response to the COVID-19 Pandemic; (2) non-essential work performed remotely; and (3) no work available that can be performed in person or remotely. To comply with the order, the Administration only allows essential work to be completed in person at City facilities or in the field. Therefore, some employees who are designated as essential employees may perform less than 40 hours of essential work.

To maximize the number of employees performing essential and non-essential work, staff is in the process of compiling a list of projects which can be completed remotely. This effort will provide an opportunity for some employees who cannot perform their regular duties remotely and have the necessary skills, to keep working although potentially in other work units.

Benefits Available during Shelter-in-Place Order

Due to the updated shelter-in-place order which extends through May 3, staff is recommending a phased benefits plan for employees, who only have partial or no work due to the Order by slightly extending the Temporary Emergency, use of existing leave banks available to employees per various Memoranda of Understanding (MOU) between the City and its bargaining units, an 80-hour Advanced Sick Leave Bank under certain conditions and unemployment insurance. This section of the staff report also provides an overview of the FFCRA and EFMLEA benefit available to employees who are scheduled to work. The eligibility of benefits available to various types of employees such as part-time or full-time, benefitted or unbenefited, and essential or non-essential work performed in-person or remotely is summarized in the attached matrix.

Temporary Emergency Pay (TEP)

Staff is requesting continuation of the TEP for full-time and part-time employees that are unable to work due to COVID-19 related issues through April 11, 2020. This will allow alignment with the end of the pay period and will allow staff to finalize the staffing plan and employee communications for the period starting April 12 through the end of the existing shelter-in-place order and/or until the City ends its declared emergency and resumes regular operations.

Existing Leave Benefits

The City's benefits package includes, depending on the Memorandum of Understanding (MOU) with the City's bargaining units, various types of leave such as vacation, management leave, floating Holidays, or sick leave. Additionally, employees may have a compensatory time off (CTO) bank. Staff recommends that employees who are assigned less than their regular scheduled hours of essential or non-essential work, use various leaves and/or CTO to complement the number of hours worked in a pay week. Staff is recommending that the City temporarily permit use of accrued sick leave for any hours an employee otherwise will not have work due to a COVID-related operational change and staffing reduction. This temporary measure would not extend beyond the end of the City's declared emergency and the resuming of normal City operations, and would not create any "cash value" of sick leave, nor permit sick leave to be used for any other purposes beyond those specified here and in existing policies/MOUs, rules.

Part-time unbenefited employees that do not have sufficient leave or CTO available to them will be encouraged to apply for unemployment benefits. Employees are eligible to receive unemployment benefits for the

difference between scheduled hours and 40 hours per work week. For full time and part-time benefited employee, staff recommends establishing an advanced COVID-19 leave bank allocation as discussed below. Full time and part time benefited employees that do not have sufficient leave or CTO leave available may request the use of the advanced COVID-19 leave bank, take unpaid leave, or apply for unemployment benefits. See Attachment A for proposed pay options for part-time and full-time employees during shelter-inplace and/or until the City ends its declared emergency and resumes normal operations.

80-Hour Advanced COVID-19 Leave Bank

Staff is seeking Council approval to set up an advanced 80-hour COVID-19 leave bank for full-time and parttime benefitted employees. The use of the two-week advanced (borrowed) COVID-19 leave bank will be restricted to benefitted employees for whom the City does not have work due to COVID-19 related reasons and who have exhausted their accrued paid leaves. The advanced (borrowed) leave bank will be offset against future accruals of vacation leave hours earned and will need to be paid back to the City if the employee were to separate from the City prior to the hours being earned back. This special advance bank of leave hours will not have any cash value to an employee nor will it be permitted to be used for any other purpose than designated here.

FFCRA and EFMLEA Benefit and Eligibility

Per the FFCRA, employers are required to provide up to 80 hours of paid sick leave for employees who are unable to work/telework for specified reasons related to COVID-19. The number of paid sick leave hours available is based on the number of scheduled hours and is subject to pay caps In addition to the FFCRA, the President signed into law the Emergency Family and Medical Leave Expansion Act (EFMLEA) which provides up to 12 weeks of paid sick leave and emergency FMLA. Both paid leave entitlements are subject to reduced pay formulas, pay caps and tracking. The EFMLEA is only available to employees who are unable to work/telework due to a need for leave to care for a child if the child's school/daycare is closed or unavailable. Please refer to Attachment for more detail about the Department of Labor Benefits and to Attachment B for eligibility for part-time and full-time employees.

The FFCRA allows employers to exclude Emergency Responder employees from the paid sick leave and expanded family and medical leave benefit. Staff is recommending that all designated Emergency Responders be deemed exempt from these leave benefits because their services are critical in providing emergency support and critical public needs for City employees and residents. Operational circumstances may, from time to time, allow for specific designated Emergency Responders to take some EPSL or EFMLEA leave, and staff recommends that the City will consider any exceptions on a case by case basis.

All City paid insurance benefits (i.e. medical, dental, vision, life insurance, etc.) for full-time and parttime/temporary benefited employees will continue through the end of the existing shelter-in-place order and/or until the City declares an end to the City emergency and resumes normal operations, even if an employee's paid status goes below 88 hours in a month due to COVID-19 related reasons.

Policy Alternatives:

Alternative 1: Do not extend the Temporary Emergency Pay through April 11

Pros: The City will save on personnel costs while programs and services are suspended.

Cons: Ending the TEP on April 7 will not provide sufficient notice to impacted employees and will not allow for adequate time to put administrative systems in place for the next phase.

Reason not recommended: The extension of TEP will provide a few extra days for impacted temporary and part time employees to file for unemployment benefits or make other arrangements to make up for the loss of pay. This will allow the City to support all employees regardless of employment status during this declared

public health emergency. Aligning the TEP with the end of the pay period will also allow staff to put the advanced COVID-19 leave bank in place and for departments to look for additional telework opportunities for staff whose regular duties have been impacted by the COVID-19 emergency.

Alternative 2: Do not establish an 80-Hour Advance COVID-19 Leave Bank for employees for whom the City does not have work due to COVID-19-driven operational changes.

Pros: Finance and Human Resources staff will not have to administer this additional benefit. Cons: Benefitted employees who do not have work available due to COVID-19 related reasons and have exhausted their paid leave employees may rely on this additional two weeks of pay for their livelihood.

Reason not recommended: To support all benefitted employees to the extent possible during this declared public health emergency. The borrowed leave bank will not result in additional costs to the City since the bank will be offset by future vacation accruals but this approach will provide a viable option for employees who do not have any work during this time, to continue to get paid.

Fiscal Impact:

For full-time and part-time benefitted employees, the personnel expenses related to telework and leaves for non-essential employees are budgeted. There are sufficient funds in departmental budgets to absorb the cost for providing additional Temporary Emergency Pay until April 11 to employees for suspended revenue-generating programs.

Depending on the length of the Shelter-in-Place order, declaring an end to the emergency and the period for resuming regular City operations, and/or employee leave banks, staff may have to increase funding for the City's unemployment insurance program. The federal CARES Act provides for partial reimbursements (generally 50 percent of benefit payments) to state and local governmental entities and other entities for weeks of unemployment between March 13, 2020 and December 31, 2020. Staff will monitor the implementation of this provision by the State of California. A recommendation to increase funding for Unemployment Insurance will be brought forward for Council consideration as part of the Third Quarter FY 2019-20 Financial Status report.

California Environmental Quality Act:

Not applicable.

Recommendations:

- 1. Approve Temporary Emergency Pay Extension for full-time and part-time employees through April 11, 2020, and
- 2. Approve recommended Staffing Plan from April 12 and related benefits through the end of Shelter-in-Place Order or until the City ends its declared emergency and resumes regular operations.

Attachments

FFCRA Poster – Employee Rights

A: Employee Pay Options during Shelter-in-Place

B: FFCRA and EFMLEA Eligibility Matrix

EMPLOYEE RIGHTS

PAID SICK LEAVE AND EXPANDED FAMILY AND MEDICAL LEAVE UNDER THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT

The **Families First Coronavirus Response Act (FFCRA or Act)** requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020.

PAID LEAVE ENTITLEMENTS

Generally, employers covered under the Act must provide employees:

Up to two weeks (80 hours, or a part-time employee's two-week equivalent) of paid sick leave based on the higher of their regular rate of pay, or the applicable state or Federal minimum wage, paid at:

- 100% for qualifying reasons #1-3 below, up to \$511 daily and \$5,110 total;
- 3/3 for qualifying reasons #4 and 6 below, up to \$200 daily and \$2,000 total; and
- Up to 12 weeks of paid sick leave and expanded family and medical leave paid at $\frac{2}{3}$ for qualifying reason #5 below for up to \$200 daily and \$12,000 total.

A part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period.

ELIGIBLE EMPLOYEES

In general, employees of private sector employers with fewer than 500 employees, and certain public sector employers, are eligible for up to two weeks of fully or partially paid sick leave for COVID-19 related reasons (see below). *Employees who have been employed for at least 30 days* prior to their leave request may be eligible for up to an additional 10 weeks of partially paid expanded family and medical leave for reason #5 below.

QUALIFYING REASONS FOR LEAVE RELATED TO COVID-19

An employee is entitled to take leave related to COVID-19 if the employee is unable to work, including unable to **telework**, because the employee:

- **1.** is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
- **2.** has been advised by a health care provider to self-quarantine related to COVID-19;
- **3.** is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
- **4.** is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
- **5.** is caring for his or her child whose school or place of care is closed (or child care provider is unavailable) due to COVID-19 related reasons; or
- **6.** is experiencing any other substantially-similar condition specified by the U.S. Department of Health and Human Services.

► ENFORCEMENT

The U.S. Department of Labor's Wage and Hour Division (WHD) has the authority to investigate and enforce compliance with the FFCRA. Employers may not discharge, discipline, or otherwise discriminate against any employee who lawfully takes paid sick leave or expanded family and medical leave under the FFCRA, files a complaint, or institutes a proceeding under or related to this Act. Employers in violation of the provisions of the FFCRA will be subject to penalties and enforcement by WHD.



For additional information or to file a complaint:

1-866-487-9243 FTY: 1-877-889-5627

TTY: 1-877-889-5627 dol.gov/agencies/whd



Attachment A - Benefit Options for Employees who do not have sufficient Work

(Until the end of the Shelter-in-Place order or until the City ends its declared emergency and resumes regular operations)

No.	Employee Type	Existing and Proposed Benefits
1.	Full time, regular hours for essential work performed in person or remotely and non-essential work performed remotely	Regular pay, no other options needed
2.	Full time and part time (benefited) with a combination of no work and scheduled hours for essential work performed in person or remotely and non-essential work performed remotely	Phase 1: Use all accrued leave Phase 2: Employee to request 1 or 2 weeks of an advanced COVID-19 leave bank, take unpaid leave, or apply for unemployment benefits
3.	Full time and part time (benefited), no work	Phase 1: Use all accrued leave Phase 2: Employee to request 1 or 2 weeks of an advanced COVID-19 leave bank, take unpaid leave, or apply for unemployment benefits
4.	Part-time (unbenefited), working scheduled hours	Phase 1: Use all accrued leave Phase 2: Unemployment benefits
5.	Part-time (unbenefited), no work	Phase 1: Use all accrued leave Phase 2: Unemployment benefits
6.	Retired annuitants (CalPERS)	Per CalPERS can only be paid for hours worked, may be eligible for unemployment benefits

Attachment B: Family First Coronavirus Response Act and Emergency Family Medical Leave Expanded Act Eligibility Matrix

No.	Employee Type	Eligible	EPSL	EFMLA
		under FFCRA		
1.	Full time, working regular hours	Yes*	80 hours; subject to monetary caps; Emergency Responders exempt from leave for childcare purposes	Up to 12 weeks of leave for COVID-related child-care (1st two weeks unpaid; pay at 2/3 rate thereafter per statute) subject to monetary caps; may integrate with other accrued leaves; Emergency Responders exempt
2.	Full time and part time (benefited) performing reduced work schedule	Yes*	Up to 80 hours (pro-rated for part time) based on number of typically scheduled or average hours worked; Emergency Responders exempt from leave for childcare purposes	Up to 12 weeks of leave (hours pro-rated for part time) for COVID-related child-care (1st two weeks unpaid; pay at 2/3 rate thereafter per statute) subject to monetary caps; may integrate with other accrued leaves; Emergency Responders exempt
3.	Part-time (unbenefited), working scheduled hours	Yes	Pro-rated leave benefit (up to 80 hours) based on number of scheduled or average hours worked as defined in FFCRA	Up to 12 weeks of leave (hours pro-rated) for COVID-related child-care purposes (1st two weeks unpaid; pay at 2/3 rate thereafter per statute) subject to monetary caps; may integrate with accrued leaves; Emergency Responders exempt
4.	Full time and part time (benefited), no work available	No	N/A	N/A
5.	Part-time (unbenefited), no work available	No	N/A	N/A
6.	Retired annuitants	No	N/A	N/A

^{*}Some employees may be exempt if categorized as emergency responders